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PAGE 01 ROME 02729 200940Z

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SUBJ: UGO LAMALFA SPEAKS HIS MIND ON THE COMMUNISTS, THE
ECONOMY, AND THE NEW GOVERNMENT

REF: ROME 3500, MARCH 10, 1975

SUMMARY: IN INTERVIEW GIVEN CORRIERE DELLA SERA, REPUBLICAN PARTY LEADER DENOUNCES THE CONTINUING TREND TOWARD AN ABSOLUTE WELFARE STATE, CONSIDERS THE NEW GOVERNMENT IN LINE WITH IT, BLAMES THE SOCIALISTS FOR IT, AND SEES AN AGREEMENT OF THE MAJORITY WITH THE PCI AS THE ONLY MEANS OF ARRESTING THE SLIDE TO STATE BANKRUPTCY. HE CREDITS BY IMPLICATION THE PCI'S COMPLETE AUTONOMY FROM MOSCOW, BUT ALLUDES TO ITS INTERNATIONAL TIES WITH THE SOVIET PARTY AS PROVIDING NO PROTECTION "FROM AN EVER CLOSER, EVER MORE THREATENING, SOVIET UNION." HOWEVER, HE GIVES CLEAR PRIORITY TO DOMESTIC ISSUES. END SUMMARY.

1. IN FRONT-PAGED INTERVIEW GIVEN HIGHLY RESPECTED JOURNALIST ALBERTO SENSINI (CORRIERE DELLA SERA, FEBRUARY 18), OUTGOING DEPUTY PRIME MINISTER UGO LAMALFA STATES HIS FRANK INTERRELATED VIEWS ON THE ITALIAN COMMUNISTS, THE ECONOMY, AND THE ITALIAN GOVERNMENT.
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PAGE 02 ROME 02729 200940Z

MENT. THEY ARE THE CLEAREST RECENT EXPRESSION OF THOSE VIEWS, AND ENTIRELY CONSISTENT WITH WHAT LA MALFA HAS

BEEN SAYING, PRIVATELY AND PUBLICLY, SINCE BEFORE HIS PARTY'S CONGRESS IN FEBRUARY 1975. SIGNIFICANT QUOTES FOLLOW:

2. THE COMMUNISTS: "WE (REPUBLICANS) HAVE LOOKED AT THE COMMUNISTS FROM ONE POINT OF VIEW ONLY: TO IDENTIFY ALL THE FORCES CAPABLE OF MAKING A SERIOUS CONTRIBUTION TO RESOLVE THE (ECONOMIC-POLITICAL) CRISIS...I ADD THAT FOR US THE INTERNAL SITUATION OF THE COUNTRY TAKES PRIORITY. (WE ASK) "WHAT FORCES WILL ALLOW US TO STOP THE MARCH TOWARD AN ABSOLUTE WELFARE (ASSISTENZIALE) STATE, THAT IS, A STATE WHICH IN THE END MUST PROVIDE FOR EVERYTHING, AND MUST THEREFORE BASE ITSELF ON THE PRINTING PRESS OF THE BANK OF ITALY? SO FAR, THIS HAS NOT BEEN POSSIBLE BECAUSE GOVERNMENTS DO NOT HAVE A MAJORITY TO CARRY OUT A SERIOUS PROGRAM.

...FINE. I THINK IT IS POSSIBLE TO MAKE AN AGREEMENT LAOS WITH THE OPPOSITION IN ORDER TO KEEP THAT (CREATION OF ABSOLUTE WELFARE STATE) FROM HAPPENING; TO KEEP THE UNIONS FROM ALWAYS WINNING OUT, AND WITH THEM THE REGIONS, THE PROVINCES, AND THE HOSPITAL INSTITUTIONS--AND TO KEEP THE STATE FROM ALWAYS LOSING OUT (IN MATTERS OF EXPENDITURES)."

ASKED WHETHER THE PCI HAS FULLY COOPERATED IN THIS LINE, LAMALFA REPLIED: "ONLY HALFWAY. IF WE MUST PAY A POLITICAL PRICE TO RESOLVE THE CRISIS, WITHOUT THE LOSS OF THE COUNTRY'S LIBERTY AND INDEPENDENCE, I ASK MYSELF AND OTHERS WHETHER WE SHOULDN'T PAY THIS PRICE: AND I'M THINKING OF AN AGREEMENT BETWEEN THE MAJORITY AND THE OPPOSITION."

IN THIS CONTEXT, LAMALFA ALSO SAID: "AT THE SAME TIME WE (THE REPUBLICANS) HAVE ALSO EXPRESSED OUR CONCERN OVER PROBLEMS AT THE INTERNATIONAL LEVEL WHICH THE PCI CONTINUES TO AROUSE, GIVEN THAT THE AUTONOMOUS POLICY OF THE PCI DOES NOT SUFFICE TO PROTECT US FROM AN ALWAYS CLOSER, ALWAYS MORE THREATENING, PRESENCE OF THE SOVIET
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PAGE 03 ROME 02729 200940Z

UNION."

3. THE ITALIAN POLITICAL-ECONOMIC SITUATION: "... GOVERNMENTS ARE FORCED TO AN EVER GREATER EXTENT TO FOLLOW A WELFARE POLICY, AND THIS, OF COURSE, ALLOWS US NO MEANS BY WHICH WE CAN RESOLVE THE CRISIS. THERE IS A PRECISE SEQUENCE (TO THE DEVELOPMENT): AT FIRST WE CREATED PUBLIC STRUCTURES CHARACTERIZED BY PARASITIC DEGENERATIONS WHICH WEIGHED ON THE SYSTEM OF PRODUCTION. THEN WE WEAKENED THE SYSTEM OF PRODUCTION FROM WITHIN.

NOW WE ARE NO LONGER CAPABLE OF REVITALIZING THE PUBLIC STRUCTURES, BUT WE LOAD ON THE STATE THE (TASK OF) REVITALIZING THE SYSTEM OF PRODUCTION. ITALY CANNOT CONTINUE TO DESCEND ALL THE STEPS OF THE CRISIS. WHAT WILL WE FIND AT THE BOTTOM? AND WHO IN THE END WILL FIND ADVANTAGE IN THIS NEGATIVE EXPERIENCE?"

4. THE PRECEDING GOVERNMENT: "I TOLD YOU EARLIER ON ANOTHER OCCASION THAT THE BICOLORE COULD ONLY SLOW THE SPEED TOWARD THE FALL OF THE COUNTRY, NOT STOP IT... . IN MY FOURTEEN MONTHS AS DEPUTY PRIME MINISTER, I ALWAYS DOUBTED THAT THE GOVERNMENT OF WHICH I WAS A PART WOULD SUCCEED IN COMBATING THE CRISIS... ."

5. THE NEW GOVERNMENT: IMMEDIATELY AFTER STATING THE ABOVE, LAMALFA WENT ON: "I LEAVE TO YOUR IMAGINATION WHAT I THINK OF THE NEW GOVERNMENT, EVEN THOUGH I VERY MUCH RESPECT MORO'S EFFORT."

6. WHAT THE PRI'S POLICY WILL BE: TO THE FURTHER EMPHASIS ON THE WELFARE ASPECT OF THE GOVERNMENT'S PROGRAM WHICH, LA MALFA SAID, THE SOCIALIST INITIATIVE IN BRINGING DOWN THE GOVERNMENT HAD INTRODUCED, "WE (PRI) WILL OPPOSE OUR ALTERNATIVE LINE. WE WILL ASK, FOR EXAMPLE, FOR A FREEZE ON CURRENT SPENDING OF THE GOVERNMENT AND ALL OTHER PUBLIC INSTITUTIONS; WE WILL ASK THAT THE BUDGET OF THE CITIES, PROVINCES AND REGIONS BE COORDINATED AT THE CENTER. WE WILL INSIST ON THE ELIMINATION OF INSTITUTIONS LIKE THE PROVINCES AND CNEL (NATIONAL COMMITTEE FOR THE ECONOMY AND LABOR), AND CERTAIN STATE-CONTROLLED INDUSTRY. WE WANT A THOROUGH EXAMINATION IN THE AREA OF SUPERHIGHWAYS, FINMARE, ALITALIA, CONFIDENTIAL
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PAGE 04 ROME 02729 200940Z

EGAM, AND ALL (SUCH) INSTITUTIONS WHICH ANNUALLY SWALLOW HUNDREDS OF BILLIONS OF LIRE."

7. COMMENT: IN RECENT WEEKS LAMALFA HAS MADE NO SECRET OF HIS RESPECT FOR PCI RESPONSIBILITY IN NATIONAL ECONOMIC MATTERS, AND EVEN LESS OF HIS DISDAIN FOR THE SOCIALISTS FOR THEIR CONTINUED INSISTENCE ON POLICIES LEADING TOWARD A BANKRUPT WELFARE STATE. THE IRONY IN HIS PRESENT ATTITUDE IS HIS WILLINGNESS TO FORGET THE EVEN LARGER ROLE PLAYED BY THE PCI THROUGH MOST OF THE POSTWAR YEARS LEADING THE FIGHT FOR THE WELFARE STATE AND, THROUGH THE UNIONS, CREATING IRRESISTABLE PRESSURE FOR INFLATIONARY SPENDING SOLUTIONS TO SOCIAL PROBLEMS. THE PCI HAS BRAZENLY USED DEFICIT SPENDING IN THE LOCAL GOVERNMENTS OF THE RED BELT TO BUILD ITS IMAGE FOR GOOD GOVERNMENT. LA MALFA'S OBVIOUS WILLINGNESS (FOR HIS OWN REASONS) TO COOPERATE WITH THE PCI ON NATIONAL ECONOMIC ISSUES RECALLS TO MIND A HISTORIC PARALLEL RECENTLY CITED TO EMBOFFS

BY A LEADING SOCIALIST: "THE ITALIAN INDUSTRIALISTS OF THE EARLY 20'S CALLED ON MUSSOLINI TO ASSUME POWER BECAUSE ONLY HE COULD GUARANTEE LABOR PEACE THROUGH HIS INFLUENCE WITH THE WORKERS. THEY THOUGHT THAT THEY IN TURN COULD CONTROL HIM. THEY FOUND THEY WERE MISTAKEN." SAME SOURCE CONFIRMED THAT GROWING UNDERSTANDING AMONG THE DC, THE MORO-LAMALFA GOVERNMENT, CONFINDUSTRIA, THE PCI AND THE UNIONS, MEDIATED BY LAMALFA, WAS THE DETERMINING REASON WHY THE PSI FELT COMPELLED TO BRING THE LAST GOVERNMENT DOWN. IT SHOULD BE ADDED THAT LAMALFA'S EVALUATIONS OF THE PCI ARE NOT SHARED ENTIRELY, OR AT ALL, BY MOST OTHER MAJOR FIGURES IN HIS PARTY, INCLUDING SECRETARY BIASINI. HOWEVER, LAMALFA'S PATRIARCHAL DOMINANCE OF HIS PARTY MAKES IT IMPOSSIBLE FOR THEM TO CONTRADICT HIM OPENLY.
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